



**Business Operating Plan of the
Kwig Power Company
Electric Utility Upgrade**

JUNE 1, 2002

**Kwig Power Company
Native Village of Kwigillingok**

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ADDITIONAL RELATED AND ATTACHED DOCUMENTS

1. SECONDARY OPERATOR AGREEMENT
2. SITE CONTROL DOCUMENTS
3. GRANT AGREEMENT
4. R&R FUND ACCOUNT – SAMPLE DOCUMENTS
5. INSURANCE QUOTE

SEE BACK
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OF THIS
PLAN.

I. EXECUTIVE SUMMARY

This Business Operating Plan (the “Plan”) provides a guideline for the Native Village of Kwigillingok’s maintenance, operation and sustainability of the Kwigillingok Electric Utility Upgrade (the “Facility”).

The Native Village of Kwigillingok, operating as Kwig Power Company, will be responsible to operate and sustain the newly installed Facility and associated electric power generation equipment. This plan has been developed to assist the Native Village of Kwigillingok with that effort and estimates the minimum resources required to sustain the Facility; however, this plan does not include discretionary expenses that may be incurred by the Primary Operator, which are not required for the primary function of electric power generation and distribution. For the new Facility, the plan includes minimum estimates of operation and maintenance needs and costs, renewal and replacement needs and costs, a per kilowatt hour (KwH) surcharge for residential and commercial users, and total electrical costs. For the Utility, *Table A: 40 Year Estimated Utility Net Income and Cashflow* includes projections of utility revenues and expenses with resulting annual net income and cashflow as well as the estimated retail price per kilowatt hour.

The Rural Power System Upgrade Program will construct a New Electric Power Generation Facility in Kwigillingok that will consist of four diesel engine generators, automated switchgear, fuel handling, and a step-up transformer bank.

The Facility will be turned over to the Primary Operator after the satisfactory completion, as determined by AEA or its representative, of a 14-day test period. After this test period, AEA will provide written notice (Certificate of Substantial Completion) stating that the Facility is ready for Beneficial Occupancy. Upon receipt of this Certificate, the Native Village of Kwigillingok will become the Primary Operator and will assume responsibility for the use, day-to-day operations, and long-term maintenance of all Facility components, except those noted elsewhere in the plan. When the Project has been completed (the Facility is complete, crews have demobilized, invoices have been paid and there are no outstanding issues), the AEA will issue, through its Grants Manager, a Notice of Project Completion.

Document Interrelationships

The Business Operating Plan is a plan, not an agreement. Attached to this Plan are four documents:

- Secondary Operator Agreement
- Site Control Documents
- Grant Agreement
- R&R Fund Account – Sample Documents

The Secondary Operator Agreement references the Plan, and includes language requiring the plan be followed. Acceptance of the Plan by execution of the Secondary Operator Agreement is pre-requisite to funding from the Denali Commission (the “Commission”).

II. BACKGROUND

The Denali Commission was established by the Federal Government to fund improvement projects within the State of Alaska, including the Rural Power System Upgrade Program. The Alaska Energy Authority is a state-owned corporation that assists in the development of safe, reliable, and environmentally sound energy systems for Alaska's communities. AEA will coordinate the planning, construction and funding of the Kwigillingok Electric Utility Upgrade Project, which is to be partially funded by the Commission.

The village of Kwigillingok is located in southwest Alaska on the western shore of Kuskokwim Bay near the mouth of the Kuskokwim River. Kwigillingok lies 77 miles southwest of Bethel and approximately 388 miles west of Anchorage. Transportation to the Kwigillingok is by air or water, and a 3,000-foot gravel airstrip is owned and maintained by the State of Alaska, Department of Transportation and Public Facilities. The airstrip is also shared with nearby village of Kongiganak.

The population of Kwigillingok is predominantly Yupik Eskimo, and has fluctuated significantly over the past several decades. The economy of the area is primarily focused on subsistence activities. Most employment is with the school, village government, stores, or commercial fishing. Residents must haul both fresh water and waste. Water is derived from snow melt and a nearby lake, and the local washeteria serves as the central haul point. The technical feasibility of a flush/haul system is being investigated.

The Native Village of Kwigillingok provides most utility services; it owns and operates the washeteria, health clinic, and electric utility. Kwik, Inc., the local Village Corporation, owns and operates the local cable utility.

Selected demographic and historical data for the community is provided below:

Selected Statistics – Kwigillingok

Population	
2000	338
1990	278
1980	354
1970	148
1960	344
1950	245
Housing (2000 Data)	
Occupied Housing	93
Vacant Housing Due to Seasonal Use	0
Other Vacant Housing	5
Economic Data (1990 Data)	
Unemployment Rate	9.2%
Median Household Income	\$14,500

III. FACILITY UPGRADE

The Rural Power System Upgrade Program will construct a new Electric Power Generation Facility in Kwigillingok that will consist of four diesel engine generators, automated switchgear, fuel handling, and a step-up transformer bank.

Electric Utility Upgrade Description

The AEA contracted with LCMF, Inc. to develop a Conceptual Design Report (CDR), which was submitted to AEA January 15, 2002. The purpose of the CDR is to provide a concept design and construction cost estimate for upgrades to the electrical generation system for the community of Kwigillingok. This Plan is predicated upon the information contained in the CDR and its acceptance by the community.

The preliminary construction estimate for the Facility, as developed in the CDR, is approximately \$1,600,000.

The new Electric Power Generation Facility will be located near the existing water treatment plant, health clinic, and washeteria. The site was selected by the community to allow recovered waste heat to be used at both of these facilities, thereby reducing overall fuel oil costs.

Project Exclusions

Neither AEA nor the Commission will take responsibility for the following, which are not a part of this project:

- Off-site fuel storage
- Abandonment or decommissioning of existing facilities
- Environmental cleanup

The AEA and the Commission will not provide any guarantees, warranties or ongoing support, other than that which is defined in the Plan. However, manufacturer warranties will be transferred at the time of project turnover (defined in *Section IV. Primary Operator*).

Electric Power Generation Facility Capacity

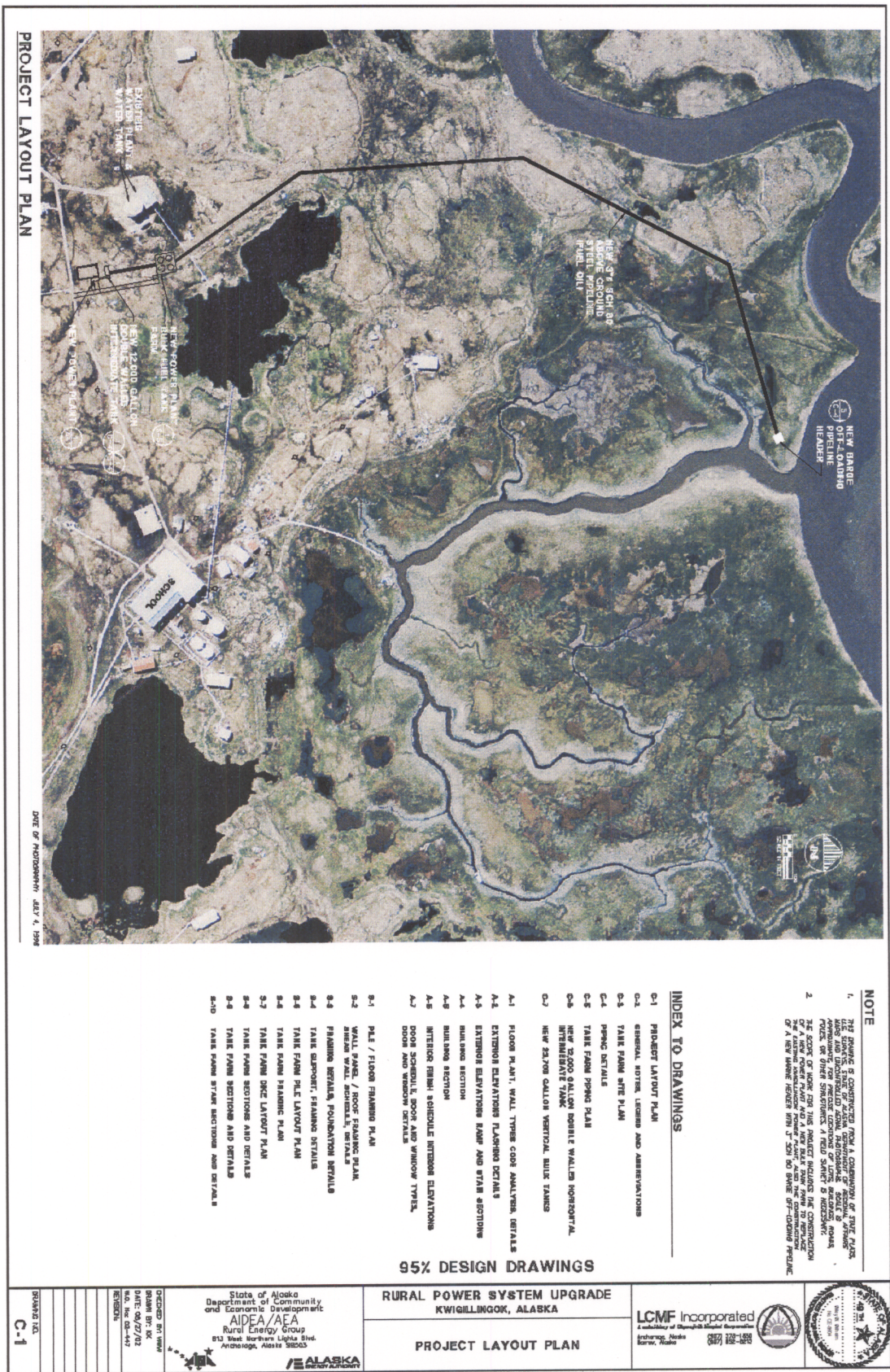
The proposed capacity of the Facility will be 710 Kw, using four generators, which is in excess of its present annual peak demand of 149 Kw. The generators will be sized so the largest generator can handle peak loading during the winter.

The Facility's power generation capacity is in excess of its present usage. The Commission guidelines dictate that extra capacity is provided to account for 10 years of growth in electric power requirements. The initial annual estimated Kwh generation by the community is estimated to be 680,000 Kwh; growing to 750,000 Kwh by year five.

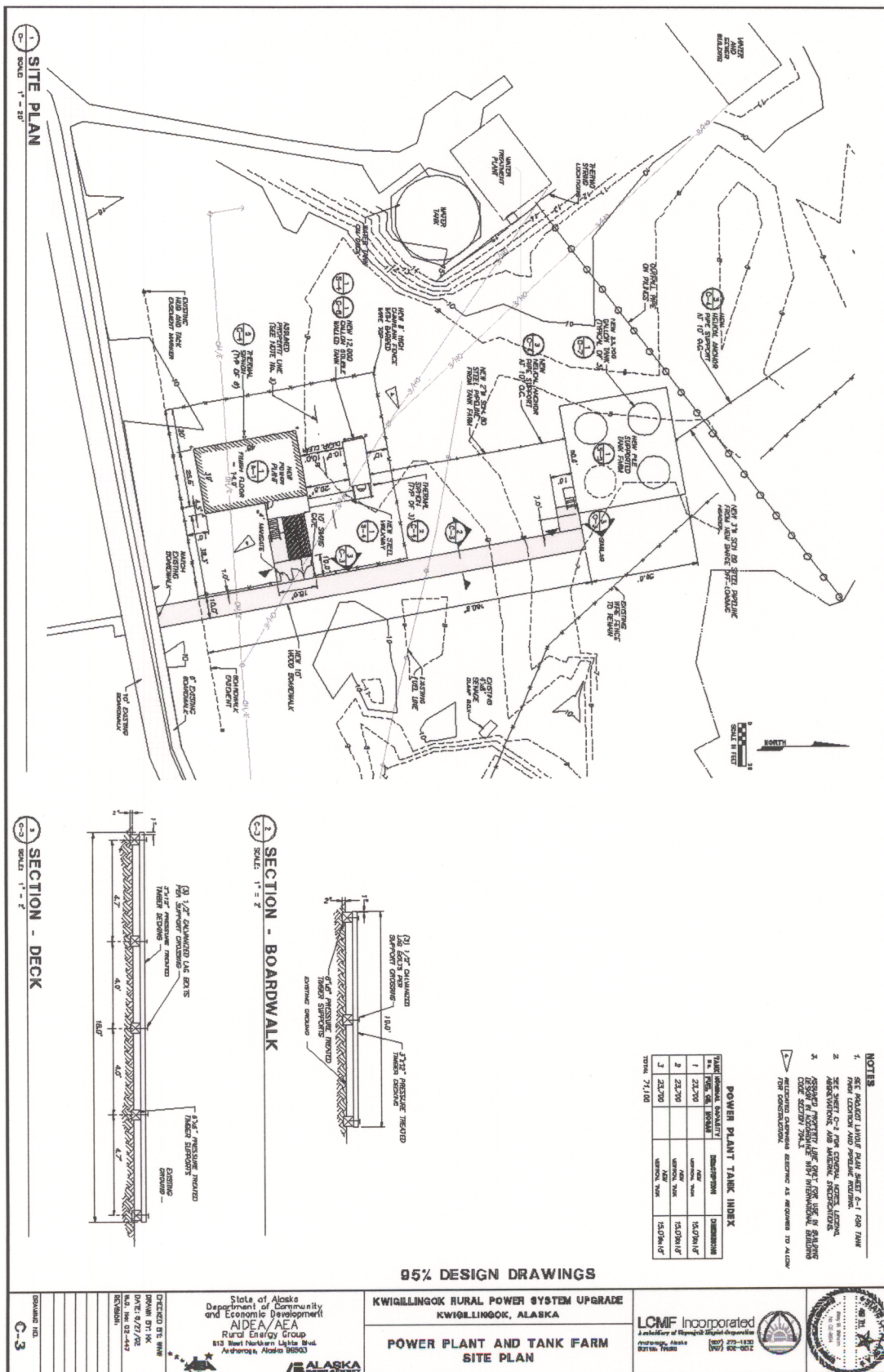
Project Layout and Site Plan

The following diagrams detail the project layout and site plan:

Project Layout



Site Plan



IV. PRIMARY OPERATOR

The Primary Operator for the Kwigillingok Electric Utility, Kwig Power Company, will be the Native Village of Kwigillingok. A detailed statement of qualifications for the Primary Operator is included as *Appendix A: Primary Operator Statement of Qualification*.

Contact Information

Native Village of Kwigillingok

Primary Contact Name: Oscar Evon

Phone: (907) 588-8114 Fax: (907) 588-8429

Address: PO Box 49, Kwigillingok, AK 99622

Turnover and Assumption of Responsibilities/Sustainability

The Facility will be turned over to the Primary Operator after the satisfactory completion, as determined by AEA or its representative, of a 14-day test period. After this test period, AEA will provide written notice (Certificate of Substantial Completion) stating that the Facility is ready for Beneficial Occupancy. Upon receipt of this Certificate, the Native Village of Kwigillingok will become the Primary Operator and will assume responsibility for the use, day-to-day operations, and long-term maintenance of all generation facility components.

When the Project has been completed (the Facility is complete, crews have demobilized, invoices have been paid and there are no outstanding issues), the AEA will issue, through its Grants Manager, a Notice of Project Completion. This Notice is included in the Grant Agreement, see *Additional Related and Attached Documents*.

The Primary Operator is responsible for the long-term sustainability of the Facility for the benefit of the local community. The complete Facility will be maintained according to guidelines outlined in this plan, all manufacturers' recommendations for maintenance, and all State and Federal laws, codes and regulations governing operation.

The Primary Operator is responsible to establish and manage accounts for the O&M and R&R to ensure that sufficient resources exist to sustain the Facility as specified in the Plan.

Staffing and Training

The Primary Operator will designate an Operations and Maintenance Manager (the "Manager") for the Facility. The Manager will be the point of contact for communications between the Primary Operator, the Commission and all other interested parties. The Primary Operator will name the Manager prior to the start of operation and will inform the Commission in a timely fashion whenever a Manager is to be replaced. The Manager will manage the Primary Operator's enterprises and will be given complete responsibility for operating the Facility in compliance with this Plan.

It is recognized that there will be, from time to time, turnover in various operational, maintenance and administrative positions. Because all functions are essential to the successful operation of the Facility, replacements will be recruited and trained as necessary. The Manager will be responsible for maintaining adequate staffing and training at all times, and when the Primary Operator lacks trained operators and administrative staff, training will be obtained to ensure sustained Facility operation.

The Primary Operator will utilize the AEA Circuit-Rider Training Program for on-site, hands-on training, as well as other training programs offered by AEA, the Alaska Vocational Technical Center (AVTEC) in Seward, the Commission, and others.

Financial Responsibilities

There are two cost categories that will be incurred in the ongoing operation and upkeep of the Electric Utility equipment – O&M and R&R.

The Primary Operator will incur a number of expenses relating to the O&M of the equipment. O&M items are defined as expenses that are incurred on a regular basis (administration, audits, etc) and maintenance expenses that are incurred on an annual basis. O&M expenses are detailed in *Table C: Annual O&M Schedule* and a narrative detail is provided in *Section VIII: Financial Information* to address estimates and assumptions.

R&R costs are those expenses defined as items costing greater than \$5,000 and/or that are not replaced on an annual basis. *Table G: 40 Year R&R Schedule* details the anticipated items, the frequency of their replacement and their present day value.

The Primary Operator will maintain separate O&M and R&R accounts and will maintain a sufficient account balance to meet the O&M and R&R financial goals in this Plan. The O&M account may be an active non-interest bearing account. The Manager will be authorized to draw against the O&M funds for routine expenses of the Facility, however individual expenditures in excess of \$5,000 will require the authorization of the Primary Operator's management or governing body. See *Appendix A: Statement of Qualifications* for an overview of the Primary Operator's fiscal controls and accounting procedures. The R&R account must be an interest-bearing, managed savings account, which requires two signatories and a community resolution for withdrawals, until such time as the cash balance makes an escrow account more cost effective; then the R&R account must be transferred to an interest-bearing invested escrow account that is acceptable to the Denali Commission. See *R&R Fund Account – Sample Documents*, for examples of acceptable R&R account agreements and a sample community resolution that limits the use of the funds to R&R expenses only.

At least once a year, no later than November 30, the Primary Operator will develop a budget for the upcoming fiscal year, January 1 through December 31, for both O&M and R&R. This will include an update of actual expenses and projections and assumptions used in this Plan, as described in *Section VIII, Financial Information, Subsequent Operating Year Revisions*. Additionally, Tables A-H should be updated.

Operations and Maintenance Guidelines

The Primary Operator will establish an account to fund the Facility O&M so that the O&M schedule can be completed and the Utility operations can be sustained into the future (this is anticipated to be an active non-interest bearing account). *Section VIII: Financial Information* provides *Table C: Annual O&M Schedule* and *Table D: 40 Year O&M Schedule* as a guide to plan for annual maintenance activities.

Renewal and Replacement Guidelines

The Primary Operator will establish a managed savings account or interest-bearing invested escrow account acceptable to the Denali Commission, which will ensure capitalization of an amount sufficient to maintain the R&R Schedule. *Section VIII: Financial Information* provides *Table G: 40 Year R&R Schedule* as a guide to plan for annual R&R activities and *Table H: 40 Year R&R Cashflow* as a guide to estimated annual R&R required contributions. These costs are based upon the R&R cost estimate provided by HMS, Inc, see *Appendix B: O&M and R&R Cost Estimate*.

The Primary Operator will use the estimates in this Plan for year one contributions, and in subsequent years will recalculate contributions based upon actual costs.

Audits and Reporting

The Primary Operator will arrange for an annual financial audit that is conducted by qualified, independent auditors. The Primary Operator will provide an annual report of operations to the Commission that includes a summary description of O&M and R&R projects; annual O&M and R&R budgets, expenditures and account balances; a projection of future O&M and R&R cash flows; and, any other information appropriate to the Utility. The Commission will review the reports and the annual financial audits of Utility operations and will actively monitor the Primary Operator's ability to operate consistent with guidelines outlined in this Plan. The Commission has reserved the right to visit the site and to access all books and records related to the Utility at any time upon written request.

V. SECONDARY OPERATOR

The Primary Operator agrees that, if the Primary Operator is not operating the Utility in compliance with the terms and conditions of the Plan, the Commission may designate a Secondary Operator to assist the Primary Operator or to take over such functions of the Utility operations that the Commission determines are necessary for such time as it determines is necessary, pursuant to the terms and conditions of Secondary Operator Agreement, which is included as an attachment to the Plan.

VI. INSURANCE

The Primary Operator is required to be insured for General Liability and Property; estimates are included in the annual O&M costs. For more specific information see the insurance quote included as an attachment to this Plan.

VII. REGULATORY REQUIREMENTS

The Primary Operator is responsible for ensuring adherence to all applicable State and Federal regulations. The Utility will be provided with, and will have on-site, if applicable, any of following spill response and related regulatory plans that need to be implemented:

- Environmental Protection Agency (EPA) Spill Prevention Control and Countermeasures (SPCC) Plan (40 CFR Part 112) – This plan confirms compliance of the Facility with the spill prevention and operating requirements of 40 CFR Part 112. A Registered Professional Engineer must certify the plan.

This plan will also include operator guidelines for spill training, drills, prevention and response and other related environmental information to ensure the environmental integrity of the Utility and the community.

This plan includes commitments and guidelines for spill prevention, response, and other related environmental information to ensure the environmental integrity of the Facility and the community. The plan will be developed near the end of Facility construction. The Primary Operator will participate in development and review of the plan as requested.

The Primary Operator must be certificated by the Regulatory Commission of Alaska.

The Primary Operator will apply to the State of Alaska, Department of Environment Conservation for a Construction Permit prior to facility construction and for a Diesel-Electric Generator Facility General Operating Permit.

VIII. FINANCIAL INFORMATION

All estimates and assumptions contained in this Plan are preliminary and are anticipated to change as the Project progresses. Actual expenses may vary throughout the life of the Utility and, therefore, should not be considered as final estimates.

Key Financial Assumptions

- Annual inflation rate of 1.5%.
- Annual investment rate of 3%.
- R&R funds may be deposited into an interest bearing invested escrow account. Fees are assumed to be 1%, beginning when the account balance is estimated to be \$100,000.
- Annual collections rate of 90%.
- Detailed assumptions regarding labor rates, required labor hours, and other operating costs are provided in the tables that follow.
- Fuel costs for the first year are estimated to be \$1.69 per gallon.
- Annual Kwh usage is estimated to grow at 4% in year one, 5% in year two, and .5% thereafter.

Key Operating Assumptions

- Line loss and unbilled production are assumed to be 12% per year.
- Initial first year power generation is estimated to be 680,000 Kwh.
- Initial annual billed Kwh is estimated to be 598,000 Kwh.
- Energy is produced at 12 Kwh/gallon on average.

Explanation of Financial Terms

- Total Annual Billed Kwh – The annual estimated Kwh of demand from all users groups (residential, community, commercial, etc) that is billed for payment.
- Assumed Annual Collectable Kwh – The annual estimated Kwh that is deemed to be collectable upon billing for payment.

Electric Power Generation Facility Funding

This Plan is not a commitment; however, it is anticipated that project funding will be provided by the Denali Commission. For funding details see the Grant Agreement included as an attachment to this Plan.

Subsequent Operating Year Revisions

Starting with the second year, as operating experience specific to this Utility is obtained, the projections and assumptions upon which the plan is based will be reviewed and modified. The following guidelines are for use in subsequent operating years in updating and modifying plan projections and assumptions:

- Step 1: Review previous years' O&M and R&R costs and compare to current projections*
- Step 2: Adjust O&M and R&R projections and assumptions based upon actual experience*
- Step 3: Recalculate per Kwh O&M surcharge based upon updated demand estimates*
- Step 4: Recalculate per Kwh R&R surcharge based upon updated demand estimates*
- Step 5: Update Table A: 40 Year Estimated Utility Net Income and Cashflow*
- Step 6: Establish updated retail rate per kilowatt hour*

TABLE A
40 YEAR ESTIMATED UTILITY NET INCOME AND CASHFLOW

Annual Profit Margin: **6.0%**

Inflation Rate : **1.50%**

Year	Annual Revenue			Annual Expenses					Net Income Before Taxes	Annual Cashflow Before Taxes			
	Estimated Retail Price \$/KwH	Assumed Collectable KwH/Year (Table B)	Estimated Annual Revenue	O&M Expenses (Tables C&D)	Fuel Costs (Table E)	General & Administrative Expenses (Table F)	Depreciation (Table F)	Total Expenses		Net Income Before Taxes	Plus: Depreciation (Table F)	Less: R&R Cash Deposit (Tables G& H)	Annual Cashflow
1	\$ 0.455	538,560	\$ 245,054	\$ 52,916	\$ 95,767	\$ 75,000	\$ 7,500	\$ 231,183	\$ 13,871	\$ 7,500	\$ 8,078	\$ 13,293	
2	\$ 0.450	562,320	\$ 253,275	\$ 53,710	\$ 101,492	\$ 76,125	\$ 7,613	\$ 238,939	\$ 14,336	\$ 7,613	\$ 8,435	\$ 13,514	
3	\$ 0.443	594,000	\$ 263,226	\$ 54,515	\$ 108,818	\$ 77,267	\$ 7,727	\$ 248,326	\$ 14,900	\$ 7,727	\$ 8,910	\$ 13,716	
4	\$ 0.450	594,297	\$ 267,233	\$ 55,333	\$ 110,505	\$ 78,426	\$ 7,843	\$ 252,107	\$ 15,126	\$ 7,843	\$ 8,914	\$ 14,055	
5	\$ 0.466	594,594	\$ 277,298	\$ 56,163	\$ 112,219	\$ 79,602	\$ 13,618	\$ 261,602	\$ 15,696	\$ 13,618	\$ 26,757	\$ 2,557	
6	\$ 0.473	594,891	\$ 281,428	\$ 57,006	\$ 113,959	\$ 80,796	\$ 13,737	\$ 265,498	\$ 15,930	\$ 13,737	\$ 26,770	\$ 2,897	
7	\$ 0.480	595,189	\$ 285,620	\$ 57,861	\$ 115,726	\$ 82,008	\$ 13,858	\$ 269,453	\$ 16,167	\$ 13,858	\$ 26,784	\$ 3,242	
8	\$ 0.477	595,486	\$ 283,880	\$ 58,729	\$ 117,521	\$ 83,238	\$ 8,324	\$ 267,812	\$ 16,069	\$ 8,324	\$ 26,797	\$ (2,404)	
9	\$ 0.484	595,784	\$ 288,202	\$ 59,609	\$ 119,343	\$ 84,487	\$ 8,449	\$ 271,888	\$ 16,313	\$ 8,449	\$ 26,810	\$ (2,048)	
10	\$ 0.547	596,082	\$ 326,163	\$ 60,504	\$ 121,194	\$ 85,754	\$ 40,249	\$ 307,701	\$ 18,462	\$ 40,249	\$ 44,706	\$ 14,005	
11	\$ 0.554	596,380	\$ 330,617	\$ 61,411	\$ 123,073	\$ 87,041	\$ 40,377	\$ 311,902	\$ 18,714	\$ 40,377	\$ 44,729	\$ 14,363	
12	\$ 0.562	596,678	\$ 335,138	\$ 62,332	\$ 124,982	\$ 88,346	\$ 40,508	\$ 316,168	\$ 18,970	\$ 40,508	\$ 44,751	\$ 14,727	
13	\$ 0.553	596,977	\$ 330,371	\$ 63,267	\$ 126,920	\$ 89,671	\$ 31,812	\$ 311,671	\$ 18,700	\$ 31,812	\$ 44,773	\$ 5,739	
14	\$ 0.561	597,275	\$ 335,032	\$ 64,216	\$ 128,888	\$ 91,016	\$ 31,947	\$ 316,068	\$ 18,964	\$ 31,947	\$ 44,796	\$ 6,115	
15	\$ 0.544	597,574	\$ 325,004	\$ 65,180	\$ 130,887	\$ 92,382	\$ 18,159	\$ 306,607	\$ 18,396	\$ 18,159	\$ 62,745	\$ (26,190)	
16	\$ 0.552	597,873	\$ 329,807	\$ 66,157	\$ 132,917	\$ 93,767	\$ 18,298	\$ 311,139	\$ 18,668	\$ 18,298	\$ 62,777	\$ (25,811)	
17	\$ 0.560	598,172	\$ 334,684	\$ 67,150	\$ 134,978	\$ 95,174	\$ 18,438	\$ 315,740	\$ 18,944	\$ 18,438	\$ 62,808	\$ (25,425)	
18	\$ 0.556	598,471	\$ 332,676	\$ 68,157	\$ 137,071	\$ 96,602	\$ 12,015	\$ 313,845	\$ 18,831	\$ 12,015	\$ 62,839	\$ (31,993)	
19	\$ 0.631	598,770	\$ 378,050	\$ 69,179	\$ 139,197	\$ 98,051	\$ 50,224	\$ 356,651	\$ 21,399	\$ 50,224	\$ 62,871	\$ 8,752	
20	\$ 0.640	599,069	\$ 383,153	\$ 70,217	\$ 141,355	\$ 99,521	\$ 50,371	\$ 361,465	\$ 21,688	\$ 50,371	\$ 62,902	\$ 9,157	
21	\$ 0.648	599,369	\$ 388,333	\$ 71,270	\$ 143,547	\$ 101,014	\$ 50,520	\$ 366,352	\$ 21,981	\$ 50,520	\$ 62,972	\$ 45,530	
22	\$ 0.656	599,668	\$ 393,593	\$ 72,339	\$ 145,773	\$ 102,529	\$ 50,672	\$ 371,314	\$ 22,279	\$ 50,672	\$ 25,786	\$ 47,165	
23	\$ 0.655	599,968	\$ 393,109	\$ 73,424	\$ 148,034	\$ 104,067	\$ 45,332	\$ 370,857	\$ 22,251	\$ 45,332	\$ 25,799	\$ 41,784	
24	\$ 0.664	600,268	\$ 398,530	\$ 74,526	\$ 150,330	\$ 105,628	\$ 45,488	\$ 375,971	\$ 22,558	\$ 45,488	\$ 25,812	\$ 42,235	
25	\$ 0.683	600,568	\$ 410,135	\$ 75,644	\$ 152,661	\$ 107,213	\$ 51,402	\$ 386,920	\$ 23,215	\$ 51,402	\$ 25,824	\$ 48,793	
26	\$ 0.692	600,869	\$ 415,722	\$ 76,778	\$ 155,028	\$ 108,821	\$ 51,563	\$ 392,191	\$ 23,531	\$ 51,563	\$ 43,863	\$ 31,231	
27	\$ 0.701	601,169	\$ 421,394	\$ 77,930	\$ 157,432	\$ 110,453	\$ 51,726	\$ 397,542	\$ 23,853	\$ 51,726	\$ 43,885	\$ 31,694	
28	\$ 0.697	601,470	\$ 419,076	\$ 79,099	\$ 159,874	\$ 112,110	\$ 44,272	\$ 395,355	\$ 23,721	\$ 44,272	\$ 43,907	\$ 24,086	
29	\$ 0.706	601,770	\$ 424,923	\$ 80,285	\$ 162,353	\$ 113,792	\$ 44,441	\$ 400,871	\$ 24,052	\$ 44,441	\$ 43,929	\$ 24,564	
30	\$ 0.771	602,071	\$ 463,959	\$ 81,490	\$ 164,871	\$ 115,499	\$ 75,838	\$ 437,697	\$ 26,262	\$ 75,838	\$ 43,951	\$ 58,149	
31	\$ 0.780	602,372	\$ 469,985	\$ 82,712	\$ 167,427	\$ 117,231	\$ 76,012	\$ 443,382	\$ 26,603	\$ 76,012	\$ 62,044	\$ 40,570	
32	\$ 0.790	602,674	\$ 476,103	\$ 83,953	\$ 170,024	\$ 118,989	\$ 76,187	\$ 449,153	\$ 26,949	\$ 76,187	\$ 62,075	\$ 41,061	
33	\$ 0.781	602,975	\$ 470,907	\$ 85,212	\$ 172,660	\$ 120,774	\$ 65,606	\$ 444,252	\$ 26,655	\$ 65,606	\$ 62,106	\$ 30,154	
34	\$ 0.791	603,276	\$ 477,213	\$ 86,490	\$ 175,338	\$ 122,586	\$ 65,787	\$ 450,201	\$ 27,012	\$ 65,787	\$ 62,137	\$ 30,661	
35	\$ 0.732	603,578	\$ 441,754	\$ 87,787	\$ 178,057	\$ 124,425	\$ 26,480	\$ 416,749	\$ 25,005	\$ 26,480	\$ 62,169	\$ (10,684)	
36	\$ 0.742	603,880	\$ 448,253	\$ 89,104	\$ 180,818	\$ 126,291	\$ 26,666	\$ 422,880	\$ 25,373	\$ 26,666	\$ 80,316	\$ (28,277)	
37	\$ 0.753	604,182	\$ 454,851	\$ 90,441	\$ 183,622	\$ 128,185	\$ 26,856	\$ 429,104	\$ 25,746	\$ 26,856	\$ 80,356	\$ (37,519)	
38	\$ 0.747	604,484	\$ 451,253	\$ 91,797	\$ 186,470	\$ 130,108	\$ 17,335	\$ 432,711	\$ 25,543	\$ 17,335	\$ 80,396	\$ (37,519)	
39	\$ 0.757	604,786	\$ 458,054	\$ 93,174	\$ 189,361	\$ 132,060	\$ 17,530	\$ 435,126	\$ 25,928	\$ 17,530	\$ 80,437	\$ (36,979)	
40	\$ 0.891	605,088	\$ 539,185	\$ 94,572	\$ 192,298	\$ 134,041	\$ 87,754	\$ 508,665	\$ 30,520	\$ 87,754	\$ 80,477	\$ 37,797	

TABLE B
Power Generation and Consumption Summary

Year	Total Generated KwH/Year	Annual Line Loss and Unbilled	Total Billed KwH/Year	Assumed Collectable KwH/Year
1	680,000	81,600	598,400	538,560
2	710,000	85,200	624,800	562,320
3	750,000	90,000	660,000	594,000
4	750,375	90,045	660,330	594,297
5	750,750	90,090	660,660	594,594
6	751,126	90,135	660,990	594,891
7	751,501	90,180	661,321	595,189
8	751,877	90,225	661,652	595,486
9	752,253	90,270	661,982	595,784
10	752,629	90,315	662,313	596,082
11	753,005	90,361	662,645	596,380
12	753,382	90,406	662,976	596,678
13	753,758	90,451	663,307	596,977
14	754,135	90,496	663,639	597,275
15	754,512	90,541	663,971	597,574
16	754,890	90,587	664,303	597,873
17	755,267	90,632	664,635	598,172
18	755,645	90,677	664,967	598,471
19	756,023	90,723	665,300	598,770
20	756,401	90,768	665,632	599,069
21	756,779	90,813	665,965	599,369
22	757,157	90,859	666,298	599,668
23	757,536	90,904	666,631	599,968
24	757,914	90,950	666,965	600,268
25	758,293	90,995	667,298	600,568
26	758,673	91,041	667,632	600,869
27	759,052	91,086	667,966	601,169
28	759,431	91,132	668,300	601,470
29	759,811	91,177	668,634	601,770
30	760,191	91,223	668,968	602,071
31	760,571	91,269	669,303	602,372
32	760,951	91,314	669,637	602,674
33	761,332	91,360	669,972	602,975
34	761,713	91,406	670,307	603,276
35	762,093	91,451	670,642	603,578
36	762,475	91,497	670,978	603,880
37	762,856	91,543	671,313	604,182
38	763,237	91,588	671,649	604,484
39	763,619	91,634	671,985	604,786
40	764,001	91,680	672,321	605,088

Assumed Collection Rate

90%

Annual KwH Increase
Years 4-40

0.05%

Annual Line Loss/Unbilled

12%

TABLE C
ANNUAL "O and M" SCHEDULE

Position	Rate Per Hour	Fringe Rate	Total Hourly Cost	Duties
Operator 1 - Primary	\$ 15.00	19.0%	\$ 17.85	Maintenance & Primary Operations
Bookkeeper	\$ 12.25	12.0%	\$ 13.72	Payroll, Accounts Payable
Utility Manager	\$ 14.75	19.0%	\$ 17.55	Manager, Denali Commission Reporting

Annual O&M Costs:				
Labor:	Labor Costs			Annual Costs
	Hours/ Month	Hourly Cost	Monthly Cost	
Operating Labor				
Operator 1	41.59	\$ 17.85	\$ 742.44	
Subtotal Operating Labor	41.59		\$ 742.44	\$ 8,909
Administrative Labor				
Bookkeeper	8	\$ 13.72	\$ 109.76	
Utility Manager	20	\$ 17.55	\$ 351.05	
Subtotal Administrative Labor	28		\$ 460.81	\$ 5,530
Materials:				
Materials & Equipment				
Top End Overhaul				\$ 7,302
Outside Labor				\$ 5,975
Other Costs:				\$ 1,200
Training (Lump Sum)				\$ 1,000
Annual Audit (Lump Sum)				\$ 2,000
Office Expenses				\$ 1,000
Insurance				\$ 20,000
Total Annual O&M Costs				\$ 52,916

TABLE D
40 YEAR "O and M" SCHEDULE

Year	Annual O&M Expenses	Total Billed Kwh/Year	Assumed Collectable Kwh/Year	O&M Surcharge \$/Kwh
1	\$ 52,916	598,400	538,560	\$ 0.098
2	\$ 53,710	624,800	562,320	\$ 0.096
3	\$ 54,515	660,000	594,000	\$ 0.092
4	\$ 55,333	660,330	594,297	\$ 0.093
5	\$ 56,163	660,660	594,594	\$ 0.094
6	\$ 57,006	660,990	594,891	\$ 0.096
7	\$ 57,861	661,321	595,189	\$ 0.097
8	\$ 58,729	661,652	595,486	\$ 0.099
9	\$ 59,609	661,982	595,784	\$ 0.100
10	\$ 60,504	662,313	596,082	\$ 0.102
11	\$ 61,411	662,645	596,380	\$ 0.103
12	\$ 62,332	662,976	596,678	\$ 0.104
13	\$ 63,267	663,307	596,977	\$ 0.106
14	\$ 64,216	663,639	597,275	\$ 0.108
15	\$ 65,180	663,971	597,574	\$ 0.109
16	\$ 66,157	664,303	597,873	\$ 0.111
17	\$ 67,150	664,635	598,172	\$ 0.112
18	\$ 68,157	664,967	598,471	\$ 0.114
19	\$ 69,179	665,300	598,770	\$ 0.116
20	\$ 70,217	665,632	599,069	\$ 0.117
21	\$ 71,270	665,965	599,369	\$ 0.119
22	\$ 72,339	666,298	599,668	\$ 0.121
23	\$ 73,424	666,631	599,968	\$ 0.122
24	\$ 74,526	666,965	600,268	\$ 0.124
25	\$ 75,644	667,298	600,568	\$ 0.126
26	\$ 76,778	667,632	600,869	\$ 0.128
27	\$ 77,930	667,966	601,169	\$ 0.130
28	\$ 79,099	668,300	601,470	\$ 0.132
29	\$ 80,285	668,634	601,770	\$ 0.133
30	\$ 81,490	668,968	602,071	\$ 0.135
31	\$ 82,712	669,303	602,372	\$ 0.137
32	\$ 83,953	669,637	602,674	\$ 0.139
33	\$ 85,212	669,972	602,975	\$ 0.141
34	\$ 86,490	670,307	603,276	\$ 0.143
35	\$ 87,787	670,642	603,578	\$ 0.145
36	\$ 89,104	670,978	603,880	\$ 0.148
37	\$ 90,441	671,313	604,182	\$ 0.150
38	\$ 91,797	671,649	604,484	\$ 0.152
39	\$ 93,174	671,985	604,786	\$ 0.154
40	\$ 94,572	672,321	605,088	\$ 0.156

Inflation Rate	1.5%
Collection Rate	90%

TABLE E
ANNUAL FUEL COSTS

Inflation Rate **1.5%**

KwH Produced per Gallon **12**

Year	Estimated Fuel Cost per Gallon	Total Generated KwH/Year	Total Fuel Usage @ 12 KwH/Gallon	Total Annual Fuel Costs	Assumed Collectable KwH/Year	Fuel Cost \$/KwH
1	\$ 1.69	680,000	56,667	\$ 95,767	538,560	\$ 0.178
2	\$ 1.72	710,000	59,167	\$ 101,492	562,320	\$ 0.180
3	\$ 1.74	750,000	62,500	\$ 108,818	594,000	\$ 0.183
4	\$ 1.77	750,375	62,531	\$ 110,505	594,297	\$ 0.186
5	\$ 1.79	750,750	62,563	\$ 112,219	594,594	\$ 0.189
6	\$ 1.82	751,126	62,594	\$ 113,959	594,891	\$ 0.192
7	\$ 1.85	751,501	62,625	\$ 115,726	595,189	\$ 0.194
8	\$ 1.88	751,877	62,656	\$ 117,521	595,486	\$ 0.197
9	\$ 1.90	752,253	62,688	\$ 119,343	595,784	\$ 0.200
10	\$ 1.93	752,629	62,719	\$ 121,194	596,082	\$ 0.203
11	\$ 1.96	753,005	62,750	\$ 123,073	596,380	\$ 0.206
12	\$ 1.99	753,382	62,782	\$ 124,982	596,678	\$ 0.209
13	\$ 2.02	753,758	62,813	\$ 126,920	596,977	\$ 0.213
14	\$ 2.05	754,135	62,845	\$ 128,888	597,275	\$ 0.216
15	\$ 2.08	754,512	62,876	\$ 130,887	597,574	\$ 0.219
16	\$ 2.11	754,890	62,907	\$ 132,917	597,873	\$ 0.222
17	\$ 2.14	755,267	62,939	\$ 134,978	598,172	\$ 0.226
18	\$ 2.18	755,645	62,970	\$ 137,071	598,471	\$ 0.229
19	\$ 2.21	756,023	63,002	\$ 139,197	598,770	\$ 0.232
20	\$ 2.24	756,401	63,033	\$ 141,355	599,069	\$ 0.236
21	\$ 2.28	756,779	63,065	\$ 143,547	599,369	\$ 0.239
22	\$ 2.31	757,157	63,096	\$ 145,773	599,668	\$ 0.243
23	\$ 2.34	757,536	63,128	\$ 148,034	599,968	\$ 0.247
24	\$ 2.38	757,914	63,160	\$ 150,330	600,268	\$ 0.250
25	\$ 2.42	758,293	63,191	\$ 152,661	600,568	\$ 0.254
26	\$ 2.45	758,673	63,223	\$ 155,028	600,869	\$ 0.258
27	\$ 2.49	759,052	63,254	\$ 157,432	601,169	\$ 0.262
28	\$ 2.53	759,431	63,286	\$ 159,874	601,470	\$ 0.266
29	\$ 2.56	759,811	63,318	\$ 162,353	601,770	\$ 0.270
30	\$ 2.60	760,191	63,349	\$ 164,871	602,071	\$ 0.274
31	\$ 2.64	760,571	63,381	\$ 167,427	602,372	\$ 0.278
32	\$ 2.68	760,951	63,413	\$ 170,024	602,674	\$ 0.282
33	\$ 2.72	761,332	63,444	\$ 172,660	602,975	\$ 0.286
34	\$ 2.76	761,713	63,476	\$ 175,338	603,276	\$ 0.291
35	\$ 2.80	762,093	63,508	\$ 178,057	603,578	\$ 0.295
36	\$ 2.85	762,475	63,540	\$ 180,818	603,880	\$ 0.299
37	\$ 2.89	762,856	63,571	\$ 183,622	604,182	\$ 0.304
38	\$ 2.93	763,237	63,603	\$ 186,470	604,484	\$ 0.308
39	\$ 2.98	763,619	63,635	\$ 189,361	604,786	\$ 0.313
40	\$ 3.02	764,001	63,667	\$ 192,298	605,088	\$ 0.318

TABLE F
ANNUAL "G and A" AND DEPRECIATION EXPENSES

Annual General & Administrative Costs:		
Salaries	\$	65,000
Office Expenses	\$	10,000
Total Annual O&M Costs	\$	75,000

Depreciation Expense:			
Year	Depreciation R&R	Depreciation- Other Assets	Total Annual Depreciation
1		\$ 7,500	\$ 7,500
2		\$ 7,613	\$ 7,613
3		\$ 7,727	\$ 7,727
4		\$ 7,843	\$ 7,843
5	\$ 5,657	\$ 7,960	\$ 13,618
6	\$ 5,657	\$ 8,080	\$ 13,737
7	\$ 5,657	\$ 8,201	\$ 13,858
8	\$ -	\$ 8,324	\$ 8,324
9	\$ -	\$ 8,449	\$ 8,449
10	\$ 31,673	\$ 8,575	\$ 40,249
11	\$ 31,673	\$ 8,704	\$ 40,377
12	\$ 31,673	\$ 8,835	\$ 40,508
13	\$ 22,845	\$ 8,967	\$ 31,812
14	\$ 22,845	\$ 9,102	\$ 31,947
15	\$ 8,921	\$ 9,238	\$ 18,159
16	\$ 8,921	\$ 9,377	\$ 18,298
17	\$ 8,921	\$ 9,517	\$ 18,438
18	\$ 2,355	\$ 9,660	\$ 12,015
19	\$ 2,355	\$ 9,805	\$ 50,224
20	\$ 40,419	\$ 9,952	\$ 50,371
21	\$ 40,419	\$ 10,101	\$ 50,520
22	\$ 40,419	\$ 10,253	\$ 50,672
23	\$ 34,925	\$ 10,407	\$ 45,332
24	\$ 34,925	\$ 10,563	\$ 45,488
25	\$ 40,681	\$ 10,721	\$ 51,402
26	\$ 40,681	\$ 10,882	\$ 51,563
27	\$ 40,681	\$ 11,045	\$ 51,726
28	\$ 33,061	\$ 11,211	\$ 44,272
29	\$ 33,061	\$ 11,379	\$ 44,441
30	\$ 64,289	\$ 11,550	\$ 75,838
31	\$ 64,289	\$ 11,723	\$ 76,012
32	\$ 64,289	\$ 11,899	\$ 76,187
33	\$ 53,528	\$ 12,077	\$ 65,606
34	\$ 53,528	\$ 12,259	\$ 65,787
35	\$ 14,037	\$ 12,442	\$ 26,480
36	\$ 14,037	\$ 12,629	\$ 26,666
37	\$ 14,037	\$ 12,819	\$ 26,856
38	\$ 4,324	\$ 13,011	\$ 17,335
39	\$ 4,324	\$ 13,206	\$ 17,530
40	\$ 74,350	\$ 13,404	\$ 87,754

TABLE G

R&R Activities:	Cost	Activity Year	Depreciation Term
Repair Ramp/Boardwalks	\$ 2,667	5/10/15/25/30/35	3
Replace Boardwalks	\$ 9,866	20/40	20
Replace Ramps/Stairs	\$ 24,790	40	20
Pump Replacement	\$ 1,550	10/20/30/40	3
Replace Fuel Tank	\$ 36,000	40	20
Replace Valves/Gauges	\$ 437	5/15/25/35	3
Refurbish Electric Systems	\$ 686	10/20/30/40	3
Replace Electrical Systems	\$ 7,500	20/40	20
Floor/Roof Repair	\$ 1,733	10/20/30/40	3
Upgrade Floor/Roofs	\$ 7,565	20/40	10
Repair Siding/Overhead Door	\$ 3,436	5/10/15/25/30/35	3
Replace Siding/Insulation/Windows	\$ 27,636	40	20
Replace Piles/Bracings	\$ 9,811	20/40	10
Repair Roof	\$ 1,573	10/20/35	3
Replace Roofing/Insulation	\$ 15,129	15/35	10
Change Door Hardware	\$ 875	10/30	3
Window Upgrade	\$ 955	20	3
Upgrade Floors/Walls/Ceilings	\$ 3,378	5/10/15/25/30/35	3
Replace Window/Doors	\$ 5,924	20/40	3
Mechanical Upgrade	\$ 1,060	5/10/15/25/30/35	3
Replacement Mechanical Systems	\$ 48,200	40	20
Repair Ducts/Grilles	\$ 2,124	10/30	3
Refurbish Ducts/Grilles	\$ 10,800	20/40	10
Repair Fire Supression System	\$ 4,300	10/30	10
Replace Fire Supression System	\$ 28,500	40	20
Replace Breakers/Fuses	\$ 1,740	10/30	3
Repair Ballasts/Lenses	\$ 1,713	5/10/15/25/30/35	3
Replace Panels/Switches/Fixtures/Alarms	\$ 37,228	20/40	10
Overhaul Generac/Controls	\$ 97,750	10/30	5
Replace Generac/Feeders & Conductors	\$ 244,250	20/40	15
Replace Batteries/Alternators/Etc	\$ 3,300	5/15/25/35	3
Repair RFP Panels	\$ 12,233	20/40	10
Replace Conductors/Transformers	\$ 34,600	40	20
Replace Switchgear/Controls	\$ 39,950	40	20

Inflation Rate	1.5%
Reinvestment Rate	0%

TABLE H
40 YEAR RENEWAL AND REPLACEMENT CASHFLOW

Year	R & R Fund Balance					Assumed Collectable Kwh/Year	R&R Surcharge \$/Kwh
	Beg. of Year Balance	Annual Deposits	Renewals/ Replacements	Interest Earnings (Net of Fees)	End of Year Balance		
1	\$ -	\$ 8,078		\$ -	\$ 8,078	538,560	\$ 0.015
2	\$ 8,078	\$ 8,435		\$ 242	\$ 16,756	562,320	\$ 0.015
3	\$ 16,756	\$ 8,910		\$ 503	\$ 26,168	594,000	\$ 0.015
4	\$ 26,168	\$ 8,914		\$ 785	\$ 35,868	594,297	\$ 0.015
5	\$ 35,868	\$ 26,757	\$ 16,972	\$ 567	\$ 46,219	594,594	\$ 0.045
6	\$ 46,219	\$ 26,770		\$ 1,387	\$ 74,376	594,891	\$ 0.045
7	\$ 74,376	\$ 26,784		\$ 1,488	\$ 102,647	595,189	\$ 0.045
8	\$ 102,647	\$ 26,797		\$ 2,053	\$ 131,497	595,486	\$ 0.045
9	\$ 131,497	\$ 26,810		\$ 2,630	\$ 160,937	595,784	\$ 0.045
10	\$ 160,937	\$ 44,706	\$ 142,449	\$ -	\$ 63,194	596,082	\$ 0.075
11	\$ 63,194	\$ 44,729		\$ 1,264	\$ 109,186	596,380	\$ 0.075
12	\$ 109,186	\$ 44,751		\$ 2,184	\$ 156,121	596,678	\$ 0.075
13	\$ 156,121	\$ 44,773		\$ 3,122	\$ 204,016	596,977	\$ 0.075
14	\$ 204,016	\$ 44,796		\$ 4,080	\$ 252,892	597,275	\$ 0.075
15	\$ 252,892	\$ 62,745	\$ 38,332	\$ 4,291	\$ 281,597	597,574	\$ 0.105
16	\$ 281,597	\$ 62,777		\$ 5,632	\$ 350,005	597,873	\$ 0.105
17	\$ 350,005	\$ 62,808		\$ 7,000	\$ 419,813	598,172	\$ 0.105
18	\$ 419,813	\$ 62,839		\$ 8,396	\$ 491,049	598,471	\$ 0.105
19	\$ 491,049	\$ 62,871		\$ 9,821	\$ 563,741	598,770	\$ 0.105
20	\$ 563,741	\$ 62,902	\$ 466,654	\$ 1,942	\$ 161,931	599,069	\$ 0.105
21	\$ 161,931	\$ 26,972		\$ 3,239	\$ 192,141	599,369	\$ 0.045
22	\$ 192,141	\$ 25,786		\$ 3,843	\$ 221,769	599,668	\$ 0.043
23	\$ 221,769	\$ 25,799		\$ 4,435	\$ 252,003	599,968	\$ 0.043
24	\$ 252,003	\$ 25,812		\$ 5,040	\$ 282,855	600,268	\$ 0.043
25	\$ 282,855	\$ 25,824	\$ 22,859	\$ 5,200	\$ 291,020	600,568	\$ 0.043
26	\$ 291,020	\$ 43,863		\$ 5,820	\$ 340,704	600,869	\$ 0.073
27	\$ 340,704	\$ 43,885		\$ 6,814	\$ 391,403	601,169	\$ 0.073
28	\$ 391,403	\$ 43,907		\$ 7,828	\$ 443,139	601,470	\$ 0.073
29	\$ 443,139	\$ 43,929		\$ 8,863	\$ 495,931	601,770	\$ 0.073
30	\$ 495,931	\$ 43,951	\$ 189,436	\$ 6,130	\$ 356,576	602,071	\$ 0.073
31	\$ 356,576	\$ 62,044		\$ 7,132	\$ 425,752	602,372	\$ 0.103
32	\$ 425,752	\$ 62,075		\$ 8,515	\$ 496,342	602,674	\$ 0.103
33	\$ 496,342	\$ 62,106		\$ 9,927	\$ 568,375	602,975	\$ 0.103
34	\$ 568,375	\$ 62,137		\$ 11,368	\$ 641,880	603,276	\$ 0.103
35	\$ 641,880	\$ 62,169	\$ 54,238	\$ 11,753	\$ 661,564	603,578	\$ 0.103
36	\$ 661,564	\$ 80,316		\$ 13,231	\$ 755,112	603,880	\$ 0.133
37	\$ 755,112	\$ 80,356		\$ 15,102	\$ 850,570	604,182	\$ 0.133
38	\$ 850,570	\$ 80,396		\$ 17,011	\$ 947,978	604,484	\$ 0.133
39	\$ 947,978	\$ 80,437		\$ 18,960	\$ 1,047,374	604,786	\$ 0.133
40	\$ 1,047,374	\$ 80,477	\$ 1,052,349	\$ -	\$ 75,502	605,088	\$ 0.133

Inflation Rate : 1.50%
Reinvestment Rate : 3.00%

Invested Escrow Fees: 1.00%

Initial Kwh Collectable : 538,560
Initial Cost per Kwh : \$ 0.015
5 year cost increase : \$ 0.030

APPENDIX A: PRIMARY OPERATOR STATEMENT OF QUALIFICATION

The Primary Operator Statement of Qualification includes:

1. A description of the Primary Operator, its personnel and experience, and its responsibilities and functions. This discussion includes a description of the ability and history of the Primary Operator to operate an electric power generation facility and utility as a business and/or its history of operating other business enterprises, as well as a description of the Primary Operator's fiscal controls and accounting procedures. This discussion details organization history, management and structure; identification of key personnel, their experience and responsibilities; and, proposed organization of the electric utility management and operations, including an organizational chart.
2. A description of the Primary Operator's, if any, staffing or training needs.
3. A description of the training plan proposed by the Primary Operator to address current and future needs.

APPENDIX B: O&M AND R&R COST ESTIMATE

ADDITIONAL RELATED AND ATTACHED DOCUMENTS

- 1. Secondary Operator Agreement**
- 2. Site Control Documents**
- 3. Grant Agreement**
- 4. R&R Fund Account – Sample Documents**
- 5. Insurance Quote**

SECONDARY OPERATOR AGREEMENT

SITE CONTROL DOCUMENTS

GRANT AGREEMENT

R&R FUND ACCOUNT – SAMPLE DOCUMENTS

**First National Bank Alaska
Renewal and Replacement Account
Escrow Managed "First Investment" Account Agreement**

Dated: _____

Account No. _____

The parties to this deposit account agreement are _____, TIN No. _____ (hereinafter "depositor") and First National Bank Alaska (hereinafter "bank"). The agreement of the parties is as follows:

1. Money paid to bank for credit to the above account and interest earned thereon and credited to the above account shall constitute the "Renewal and Replacement Account" of depositor specified under the terms of depositor's agreement with the Denali Commission intended for use by depositor for replacement and repair of capital expenditure items that are part of depositor's Energy Facility as contemplated under that agreement. Depositor hereby represents and warrants, which representations and warranties shall be continuing and shall be deemed to be reaffirmed upon each instruction given by depositor, that: (a) depositor is duly organized and existing under the laws of the jurisdiction of its organization, with full power to carry on its business as now conducted, to enter into this agreement and to perform its obligations hereunder; (b) this agreement has been duly authorized, executed and delivered by depositor, constitutes a valid and legally binding obligation of depositor, enforceable in accordance with its terms, and not statute, regulation, rule, order, judgment or contract binding on depositor prohibits depositor's execution or performance of this agreement; (c) the Taxpayer Identification Number shown above (TIN) is depositor's correct taxpayer identification number; and (d) depositor is not subject to backup withholding because taxpayer is an exempt recipient under the Internal Revenue Service Regulations.

2. Under the terms of its agreement with Denali Commission, depositor is obliged to pay to bank the sum of \$ _____ and a like sum, not later than the last day of each and every month thereafter until the expiration of this agreement, equal to 1/12 of the annual deposit required in the respective year, as set forth in Attachment D entitled "40 Year Renewal and Replacement Cashflow" and any revisions thereof to be administered by FNBA in accordance with the terms hereof. Bank will furnish to depositor payment coupons that may be submitted by depositor with a payment to bank for credit to the above account. Bank will give only provisional credit until collection is final for any item, other than cash, bank accepts from depositor (including items drawn "on us"). Actual credit for payments of, or payable in, foreign currency will be at the exchange rate in effect on final collection in U.S. dollars. Bank is not responsible for transactions by mail or at an outside depository until it actually record them at its Escrow Department. Bank will treat and record all transaction received after bank's "daily cutoff time" on a business day bank is open, or received on a day bank's escrow department is not open for business on the next following day bank's Escrow Department is open.

3. Bank shall credit to the above account interest earned on the account balance in accordance with the provisions of bank's "First Investment Account" agreement, as amended by bank from time to time.

4. Bank shall disburse credit to the account to the order of depositor when it receives a resolution from depositor in the form of Attachment A hereto. Any two officers of depositor, acting together, may execute a resolution in the form of Attachment A to withdraw or transfer all or any part of the above account balance at any time. Bank may require not less than 7 days after receiving such a resolution before a withdrawal. Depositor authorizes any officer of depositor to endorse any item payable to depositor or depositor's order for deposit to the above account or any other transaction with bank. Bank may require the governing body of the legal entity opening this account to give bank a separate authorization telling bank who is authorized to act on its behalf. Bank will not honor the authorization until bank actually receives at its Escrow Department written notice of a change from the governing body of depositor.

5. Bank's current fee schedule for its services hereunder is attachment B hereto. Bank's set-up fee and first year's annual fee have been paid to bank as of the date of acceptance of this account by bank specified below. Future annual fees shall be due and payable by depositor to bank on the same day each consecutive year of the term hereof. An annual fee is due and earned when an account year begins. The first account year begins on the effective date hereof. Any fee due and payable to bank hereunder may be charged against the above account when due. Bank may amend Exhibit B hereto from time to time on thirty days prior written notice to depositor.

6. On the last calendar day of each month of the term hereof, bank shall furnish to depositor and Denali Commission a written statement of the above account specifying the account balance, and any payment(s) received and interest earned credited to the account, as well as all disbursements of credit to the account to the order of depositor and fees charged to the account by bank, since the last statement date. Until further instructed in writing statements shall be furnished to depositor and Denali Commission by mailing the same in a first class postage prepaid envelope addressed as follows:

To Depositor: _____	To Denali Commission _____
_____	_____
_____	_____
_____	_____

Depositor must examine its statement of account with "reasonable promptness." If depositor discovers (or reasonably should have discovered) any unauthorized signatures or alterations, depositor must promptly notify bank of the relevant facts. As between depositor and bank, if depositor fails to do either of these duties, depositor will either share the loss with bank, or bear the loss entirely itself (depending on whether bank used ordinary care and, if not, whether bank substantially contributed to the loss). The loss could be not only with respect to items on the statement but other items with unauthorized signatures or alterations by the same wrongdoer. Depositor agrees that the time it has to examine its statement and report to bank will depend on the circumstances, but will not, in any circumstance exceed a total of 30 days from when the statement is first sent or made available to depositor. Depositor further agrees that if depositor fails to report any unauthorized signatures, alterations, forgeries or any other errors in its account within 30 days of when bank first sends or makes the statement available, depositor cannot assert a claim against bank on any items in that statement, and as between depositor and bank the loss will be entirely depositor's.

7. Bank's duties are determined from these instructions alone and without reference to other agreements, including, without limitation, any agreement between depositor and Denali Commission, and no covenant or obligation shall be implied against bank in connection with this agreement.

8. The effective date hereof is the date of acceptance of the account as specified by bank below. Money received by bank prior to acceptance is deemed to be received on the date of acceptance.

9. Bank may assign its duties hereunder (and thereby be released from its duties) to any corporation regularly engaged in the business of providing, in Alaska, the service bank is required to provide hereunder.

10. Bank may terminate the above account upon 30 days written notice to depositor and Denali Commission. After such termination bank will pay any account balance to the order of depositor.

11. Bank is deemed to have notice only when notice is actually received at its Escrow Department office, which does not include any branch office of bank.

12. A claim against bank is unenforceable unless an action is commenced within 90 days after termination of this agreement.

13. Bank shall not be liable for any costs, expenses, damages, liabilities or claims including attorneys' and Accountants' fees (collectively, "Losses") incurred by or asserted against depositor except those Losses arising out of the negligence or willful misconduct of bank. In no event shall bank be liable to depositor or any third party for

special indirect or consequential damages, or lost profits or loss of business, arising in connection with this agreement.

14. Bank has no duty to look to the propriety or application of any payment or distribution made to depositor, or to the order of depositor, and depositor agrees to indemnify bank and hold bank harmless from and against any and all Losses sustained or incurred by or asserted against bank by reason of or as a result of any action or inaction, or arising out of bank's performance hereunder, including reasonable fees and expenses of counsel incurred by bank in a successful defense of claims by depositor; provided, that depositor shall not indemnify bank for those Losses arising out of bank's negligence or willful misconduct. This indemnity shall be a continuing obligation of depositor, its successors and assigns, notwithstanding the termination of this agreement.

15. Bank shall have no duty or responsibility to inquire into, make recommendations, supervise, or determine the suitability of any transactions affecting the above account.

16. Bank shall be entitled to rely upon any resolution in the form of Attachment A actually received by bank and reasonably believed by bank to be duly authorized and delivered.

17. Bank is authorized to supply to any third party any information regarding the above account which is required by any law, regulation, rule or court order (including without limitation any subpoena) now or hereafter in effect.

18. Bank shall not be responsible for preparing or filing any tax report or return nor for the payment of any tax assessed against, or with respect to, any of the assets of the above account or any transaction for the account of depositor.

19. Each and every right granted to either party hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of either party to exercise, and no delay in exercising, any right will operate as a waiver thereof, nor will any single or partial exercise of any other right.

20. In case any provision in or obligation under this agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions shall not be amended or modified in any manner except by a written agreement executed by both parties. This agreement shall extend to and shall be binding upon the parties hereto, and their respective successors and assigns.

21. This agreement shall be construed in accordance with the substantive laws of the State of Alaska, without regard to conflicts of laws principles thereof. Depositor and bank hereby consent to the jurisdiction of a state or federal court situated in the Third Judicial District, State of Alaska, in connection with any dispute arising hereunder. Depositor hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum. Depositor and bank each hereby irrevocably waives any and all rights to trial by jury in any legal proceeding arising out of or relating to this agreement. To the extent that in any jurisdiction depositor may hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, depositor irrevocably agrees not to claim, and it hereby waives, such immunity.

22. This agreement and the attachments hereto constitute the entire agreement of the parties. Bank has not made representations or assurances to depositor not stated herein.

Date: _____

Depositor

By: _____

By: _____

First National Bank Alaska accepted this account on _____.

By: _____

Wells Fargo
Renewal and Replacement Account
Escrow Managed "Regular Savings" Account Agreement

_____, 2002

Account No. _____

1. The parties to this agreement are _____ (Owner), and Wells Fargo. Owner hereby appoints Wells Fargo, acting through its Trust Department, as the Invested Escrow Agent for the investment and disbursement of the funds in accordance with this agreement. Wells Fargo agrees to serve as Invested Escrow Agent, pursuant to the terms set forth in this agreement.
2. Monies deposited by the Owner with Wells Fargo shall be for the purpose of establishing an R&R Account, which shall be used for replacement and repair of capital expenditure items with regard to the Owner's Energy Facility, which is partially or fully funded with monies from the Denali Commission.
3. On or before _____, 2002, Owner shall deposit the sum of \$ _____ and a like sum, not later than the last day of each and every month thereafter, until the expiration of this agreement, equal to 1/12 of the annual deposit required in the respective year, as set forth in Attachment D entitled "40 Year Renewal and Replacement Cashflow" and any revisions thereof to be administered in accordance with the terms of this Agreement.
4. The funds shall be deposited into an interest bearing "Regular Savings" account. Disbursements from this account will be restricted and can only be approved by Wells Fargo's Escrow Department pursuant to this agreement.
5. Upon written instruction from Owner, in the form of a Resolution identical to Attachment A, signed by two parties, Wells Fargo's Escrow Department shall disburse funds to the Owner.
6. The interest earned on the account shall accrue for the benefit of the Owner.
7. Wells Fargo will assess the fees and charges set forth in the fee schedule which is attached as Attachment B.
8. Wells Fargo will compile a "Monthly Report", at the end of each calendar month, on all Renewal and Replacement Accounts that are established under similar agreement. This report will show all account activity by each Owner including; deposit amounts, date of deposits, disbursements, and date of disbursements. Monthly reports shall be sent to:

Denali Commission
Attn: Chief of Staff
510 L Street Suite 410
Anchorage, AK 99501

9. Wells Fargo shall have no duties not expressly provided for herein, and will not incur liability if it substantially complies with the instructions contemplated herein, using reasonable care in executing transactions, and in safekeeping the funds.

Wells Fargo

By: _____
Its: _____

Date

(Owner)

By: _____
Its: _____
Taxpayer ID # _____
Address: _____

Date

PLEASE COMPLETE THIS AREA TO INSURE CORRECT ROUTING

ESCROW AGREEMENT

Acct. # _____

ORIGINATED BY _____

ACCEPTED COPY
RETURN TO _____

TO: WELLS FARGO BANK ALASKA (WF),
its successors and assigns

Date: _____

I hand you herewith the following described item(s): _____

Beginning Balance \$ _____ Payments of \$ _____ Maturity Date _____

☐ Monthly ☐ Quarterly ☐ Semi-Annually ☐ Annually

First payment due: _____ Interest start date _____ at _____ %

Payments made in excess of the regular scheduled amount ☐ will ☐ will not satisfy future payments due.

Excess funds ☐ will ☐ will not be applied to prior mortgage/debt. Interest calculation based on ☐ 360 days ☐ 365 days.

Attached: ☐ Exhibit A Special Payment Provisions ☐ Exhibit B Multiple Disbursements ☐ Exhibit C Partial Releases ☐ Exhibit D Reserves

Additional Instructions: _____

You are authorized to charge my WF Account # _____

☐ for the scheduled escrow payments,

☐ balloon payments.

Payer Signature _____

Remit payments to payee: _____

Address _____

Or Credit Payments to:

☐ Cashier's Check

☐ E.F.T. (Enclose voided check)

☐ Checking

☐ Savings: WF Acct. No. _____

(Disbursement fees paid by payee per payment/ transaction)

Upon execution of this agreement the parties herein agree to pay fees in accordance with the current fee schedule, fees are collected per payment/transaction. Set up fee: ☐ paid ☐ collect from first payment. Fees Paid by: ☐ Payee ☐ Payer ☐ Divide Equally
(Fees Subject to Change Without Notice) ☐ We request late payment monitoring (additional fee)

Unless otherwise instructed, all service charges and fees will be charged to Payee.

WF is hereby authorized to deliver, by registered mail or personally, the instrument(s) and/or document(s) herein mentioned to any one of the undersigned Payees for and on behalf of all Payees at any address given below or such other address as any one of the undersigned Payees shall designate in writing upon Payee's request or at WF's option under the following conditions:

At Payee's request when:

(a) Any payment is delinquent 30 days or more; or

(b) Payee furnishes WF evidence that Payer has received at least 20 days' written notice of Payee's intent to terminate, delivered by registered or certified mail.

At WF's option when:

(a) One payment has been delinquent for three months and WF has provided 10 days' prior notice to Payee and Payer.

(b) Upon 30 days' prior written notice by WF to Payee and Payer.

We the undersigned have read this Agreement, including the Terms and Conditions set forth on the reverse side, and understand the contents thereof and acknowledge that the terms of the Agreement are satisfactory to each of us. Upon receipt by the Bank of the final payment, the Bank will deem the contract satisfied and the instrument(s) and/or document(s) will be released to the Payer. Under penalty of perjury, I certify that the Social Security or Employer I.D. Number provided below is true, correct and complete, and I am not subject to backup withholding.

Date _____

Date _____

PLEASE PRINT NAME SOCIAL SECURITY NO. OR EMPLOYEE I.D. NO.

PLEASE PRINT NAME SOCIAL SECURITY NO. OR EMPLOYEE I.D. NO.

X

PAYEE (SELLER) SIGNATURE

X

PAYER (BUYER) SIGNATURE

ADDRESS

ADDRESS

PLEASE PRINT NAME SOCIAL SECURITY NO. OR EMPLOYEE I.D. NO.

PLEASE PRINT NAME SOCIAL SECURITY NO. OR EMPLOYEE I.D. NO.

X

PAYEE (SELLER) SIGNATURE

X

PAYER (BUYER) SIGNATURE

ADDRESS

ADDRESS

Received above item(s) subject to conditions herein mentioned.
Wells Fargo Bank Alaska.

By _____

PLEASE COMPLETE THIS AREA TO INSURE CORRECT ROUTING

WELLS FARGO BANK ALASKA ESCROW AGREEMENT

Terms and Conditions

Payments. Payer shall pay all sums due Payee from time to time in the manner set forth herein to WF Escrow Service Department, at P.O. Box 100600, Anchorage, Alaska 99510-0600 or such other address as may be directed by WF in the future. WF shall accept all payments tendered on this transaction, regardless of whether they are partial, full, or additional payments or whether they are tendered before or after the payment due date. WF shall have no duty or obligation to refuse any payment nor shall it be responsible for determining the sufficiency of any such payment unless otherwise agreed in writing by WF. WF will credit the account for payments as received and will disburse funds the following business day, but shall not be required to disburse to Payee prior to the time WF determines the payment is from collected funds. If any check received by WF is dishonored upon presentment for any reason, WF may notify Payee of such dishonor and the amount of funds which WF has disbursed to Payee or other named Payees in reliance upon Payer's dishonored payment. Upon receipt of such notice, Payee shall promptly remit to WF the amount of such funds so disbursed by WF together with WF's then customary charge for the handling of returned checks, which charge shall be stated in the notice sent to Payee. WF is hereby given authority to reverse the credit to an account to which it has disbursed funds and/or to deduct from Payee's account the amount of the charge plus the amount of funds it has disbursed in reliance upon said dishonored payment. If two (2) checks are dishonored during any calendar year for any reason, WF may without notice terminate this account, cancel this Agreement and return the documents to Payee.

Interest Computation. Interest will be computed on a 365-day factor, except for leap year. Payments will be applied first to WF's fees, then to interest, the remainder, if any, to principal. The parties shall have 30 days in which to dispute the application of payments as computed by WF. WF shall be notified of any such dispute in writing within 30 days. If WF does not receive such notice within 30 days, all computations made by WF shall be conclusively deemed correct. Nothing in this paragraph shall modify or change any of the agreements between, or rights and remedies of Payer and Payee, as between the two. Any modification to this method of computation must be agreed to in writing by WF.

Service Charge. WF may deduct its fees and service charges from payments received or credited to Payee's account. If fees or service charges are not received within 30 days of their due date, WF is authorized to terminate this Agreement without notice and deliver the documents to Payee. The expenses of closing of this collection may be deducted from the proceeds of the final payment. Service charges and fees are set forth in WF's published rates, which are subject to change from time to time without notice.

Disputes. In the event of any dispute or misunderstanding, WF shall have the option to close the escrow and deliver instruments or documents to any one of the Payees or on behalf of the Payees upon 30 days prior written notice by WF to Payee and Payer or to hold undisbursed funds, or to require settlement by a neutral party, such as an arbitrator for determination, or to pursue any legal remedies which may be available to it, including the right to deposit the subject matter hereof in interpleader in the appropriate court of the Third Judicial District, Anchorage, Alaska, and upon so doing to be absolved from all further obligations or liability hereunder. Payee and Payer jointly and severally agree to pay to WF all costs and expenses incurred by WF, including actual attorney's fees, in any interpleader action.

Limitation of WF's Responsibility. WF shall be responsible only for the exercise of ordinary care in performing the duties set forth in this Agreement. WF shall be relieved from any further or additional liability beyond the performance of the duties expressly set forth herein. The parties hereto jointly and severally agree to defend, indemnify, and hold WF, its officers, employees, shareholders, attorneys, directors, agents and representatives harmless from and against, and to pay on demand all claims, costs, damages, judgments, attorney's fees, expenses, obligations and liabilities of every kind and nature suffered or incurred in connection with this Agreement except any liability founded upon WF's failure to exercise ordinary care in performing the duties contained herein. Payee and Payer agree that WF will not be responsible for any of the following.

- (a) To notify any party of nonpayment or declaration of default, condemnation or the condition of any property;
- (b) To construe, enforce or determine the performance or nonperformance of any terms of the documents underlying the transaction;
- (c) To determine if any agreement or document is in compliance with local, state, or federal laws and regulations;
- (d) To determine the authenticity, validity, enforceability or sufficiency of any document deposited, or for the accuracy of description of any such document, the description having been furnished by the parties;
- (e) To give notice of any change of ownership or to enforce any due-on-sale or similar provisions;
- (f) To determine if any payment schedule will amortize any obligation;
- (g) To determine the sufficiency or verification of the account balances on any other previously or subsequently-recorded encumbrance or security interest against the property, including security interests which this collection agreement may, in whole or in part, satisfy; further, WF does not assume any responsibility for determining if any payments being made by this escrow to satisfy, in whole or in part, any other obligation will, in fact, amortize the obligation receiving the payments hereunder at or before the satisfaction of this escrow;
- (h) To pay or notify any party regarding recording of documents, perfection of security interests, or nonpayment of insurance premiums, taxes or other assessments or encumbrances;
- (i) To assess, bill, collect or pay any late charges due under the terms of the documents deposited herewith unless otherwise agreed in writing by WF;
- (j) For the determination of balances to third parties or overpayments to them where instructed to credit payments to persons other than the Payee;
- (k) To verify or determine whether the assignment of the payments under this escrow for security purposes or otherwise does not create a default in the terms of the documents underlying this transaction;
- (l) To account or give credit for any payment made or received outside this collection;
- (m) To vote or exercise any of the rights of ownership of corporate stock or similar items deposited herewith; or
- (n) To perform any act not expressly set forth in this Agreement even though contained in any documents deposited herewith.

The liability of WF for negligent performance, or negligent non-performance, shall be limited to the amount of charges or fees charged to the parties hereto, under this Agreement, for the month in which any damages are incurred. Under no circumstances will WF be liable for any special, consequential, or punitive damages. Notwithstanding any other provision of this Agreement, WF will not be liable for any damage, loss, liability, or delay caused, directly or indirectly, in whole or in part, by those items set forth above.

Lien-Offset. WF shall have a first and paramount lien on all documents, monies and things deposited in connection with this Agreement and the right of offset against any WF account of any party hereto to secure payment of all costs, expenses, obligations and fees due WF.

Agreement Controls. In the event of conflict or omission between the documents deposited in connection with this Agreement, this Agreement shall control as to WF. WF shall not be responsible for determining the existence of any such conflict or omission.

Authority to Release Information. If any party to this Agreement sells or contracts to sell the property described in the documents deposited herewith, or applies for financing secured by the property, WF is authorized to furnish to the lender, closing agent, or any other interested party, any information concerning the status of this account, including the payment records and copies of the documents deposited.

Authority to Transfer. WF is authorized to assign, delegate and/or transfer all its duties and the documents held hereunder to another institution upon ten (10) days' prior written notice to Payer and Payee. Upon such transfer, WF shall be relieved of all further duties and liabilities under or related to this Agreement.

Notice. Any notice to WF required or permitted hereunder shall be sent certified or registered mail to Wells Fargo Bank Alaska Escrow Service Department, P.O. Box 100600, Anchorage, Alaska 99510-0600, or such other address as may be designated by WF. Notice shall be effective only when received in the Escrow Service Department.

General. This Agreement may be modified or amended only by written instructions accepted by WF and payment of the applicable fee. This Agreement is intended for the sole benefit of the parties hereto, and shall not be construed to create any rights in third parties. This Agreement shall be governed and interpreted in accordance with the laws of the State of Alaska, and any litigation arising out of or relating to this Agreement to which WF is a party shall be commenced and maintained only in the appropriate court of the Alaska State Court System, Third Judicial District, at Anchorage.

ATTACHMENT A

Resolution for Disbursement of Renewal and Replacement Funds for Energy Facility

*An Identical Resolution to This Must be Passed and Signed by the Community To Withdraw Funds from
The R&R Account*

Community of _____
Resolution No. _____

WHEREAS, the Community of _____ has established an escrow managed interest bearing renewal and replacement account with the financial institution of _____ for the purpose of renewal and replacement expenditures related to the _____ facility, which was partially or fully funded by the Denali Commission, and

WHEREAS, pursuant to the communities approved business plan for _____ facility the community has agreed that funds deposited into this renewal and replacement account will only be used for the renewal and replacement of _____ facility, and

WHEREAS, eligible withdrawal of funds from this account must be for the labor, transportation, equipment rental, professional services, materials, equipment and other costs for the replacement and repair of assets essential to the on-going sustainability of the _____ facility. For energy facilities this is including but not limited to: Access Roads, Buildings, Poles, Transformers, Generators, Radiators, Electrical Systems, Wires, Meter Systems, Pumps, Fencing, Fuel Storage Tanks, Fuel Distribution Systems, Walkways, Access Roads Dispensers, Fill Stations, Tank Liners, Fencing, Pad, Valves, Pipelines, Piling, Decks, Manwalks, Headers, Ground Maintenance and Containment Systems

THEREFORE, the Community of _____ hereby attests that the funds being requested from the escrow managed interest bearing renewal and replacement account with the financial institution of _____ is for renewal and replacement expenses related to the _____ facility as outlined above and is not being used for any other purpose, and

THEREFORE, the Community of _____ requests the total sum of \$ _____ for the following detailed expenses _____.

Signed by two people representing the community,



ATTACHMENT B

How to Establish a Renewal and Replacement Account for Denali Commission Funded Public Infrastructure

Background

Under the guidelines of Denali Commission funding a community is required to have a business plan that outlines how the Denali Commission funded project will be operated and maintained. One of the conditions required in the business plan is a community established Renewal and Replacement (R&R) Account. An R&R account will provide a mechanism for the community to save money for the inevitable renewal and replacement costs associated with the facility.

General Guidelines of a Renewal and Replacement Account

- Allows community to make monthly deposits
- Must be an interest bearing account
- Only allows withdrawal of funds for Renewal and Replacement costs of the facility.
 - Requires a Resolution from the community certifying funds are being used for Renewal and Replacement expenses related to the facility that was partially or wholly funded by the Denali Commission.
- Account must allow for Denali Commission and other Auditing agencies to monitor deposit and withdrawal activity (Monthly Reports on account activity must be sent to Denali Commission)

Financial Institutions

The Denali Commission has negotiated terms with two Financial Institutions that will allow for the unique guidelines of these R&R accounts. Other institutions that will allow accounts that meet the guidelines above are acceptable.

	First National Bank	Wells Fargo
Contact Person	Lorraine O'Neal Sr. Escrow Officer First National Bank Operations Center 1751 Gambell St. Anchorage, AK 99501 Phone: (907) 777-3424 Fax: (907) 777-3446	Jackie Zuspan Escrow Manager Wells Fargo 301 West Northern Lights Blvd. Anchorage, AK 99503 Phone: (907) 265-2162 Fax: (907) 265-2170
Type of Account	Escrow Managed "First Investment" Account	Escrow Managed "Regular Savings" Account
Set-Up Fee	\$30.00	\$35.00
Annual/Monthly Fee	\$50.00 Annual Fee and \$5 monthly fee until account balance is above \$2,500	\$3 Monthly Fee until account balance is above \$300
Disbursement Fee	\$25.00 each time a community requests funds (through approved resolution)	\$5.00 each time (for a Money Order) when a community requests funds (through approved resolution)

Check Writing	None	None
Reports	Monthly Report to Denali Commission on Deposit and Withdrawal activity (.50 Charge)	Monthly Report to Denali Commission on Deposit and Withdrawal activity (No Charge)
Requirement for Withdrawal of Funds	Approved Resolution Identical to Attached Template must be submitted to Escrow Department	Approved Resolution Identical to Attached Template must be submitted to Escrow Department
Interest	First Investment Account Tiered depending on balance of account (based on current Treasury Bill). Below are 1/02/02 rates: \$0-\$2,499 .557% \$2,500-\$4,999 .778% \$5,000-\$24,999 .825% \$25,000-\$49,999 .846% \$50,000-\$99,999 .887% \$100,000+ .917%	Based on the Regular Savings account: 5/20/02 rate = 1%

To establish an account:

1. Contact one of the representatives above
2. Tell them you need to establish a "Denali Commission Renewal and Replacement Account"
3. Sign the Account Agreement for the institution.
4. Pay set-up fee and fill out other general information to establish account

Sample documents attached include:

- o Business plan language that requires R&R accounts
- o Account agreements (between institution and community) templates
- o Example of the resolution that is required to withdraw funds from a R&R account

ATTACHMENT C
EXAMPLE OF LANGUAGE IN ALL DENALI COMMISSION FUNDED ENERGY FACILITIES

Financial Responsibilities

There are two cost categories that will be incurred in the ongoing operation and upkeep of the Electric Utility equipment – operations and maintenance (“O&M”) and renewals and replacements (“R&R”).

The Primary Operator will incur a number of expenses relating to the O&M of the equipment. O&M items are defined as expenses that are incurred on a regular basis (administration, audits, etc) and maintenance expenses that are incurred on an annual basis. O&M expenses are detailed in *Table B: Annual O&M Schedule* and a narrative detail is provided in *Section VIII: Financial Information* to address estimates and assumptions.

R&R costs are those expenses defined as items costing greater than \$5,000 and/or that are not replaced on an annual basis. *Table D: 40 Year R&R Schedule* details the anticipated items, the frequency of their replacement and their present day value.

The Primary Operator will maintain separate O&M and R&R accounts and will maintain a sufficient account balance to meet the O&M and R&R financial goals in this Plan. The O&M account may be an active non-interest bearing account. The Manager will be authorized to draw against the O&M funds for routine expenses of the Facility; however, individual expenditures in excess of \$5,000 will require authorization of the Primary Operator’s management or governing body. See *Appendix A: Statement of Qualifications* for an overview of the Primary Operator’s fiscal controls and accounting procedures. The R&R account must be an interest-bearing, managed savings account, which requires two signatories and a community resolution for withdrawals, until such time as the cash balance makes an escrow account more cost effective; then the R&R account may be transferred to an interest-bearing invested escrow account that is acceptable to the Denali Commission. See *Attachment 5: R&R Fund Account -- Sample Documents*, for examples of acceptable R&R account agreements and a sample community resolution that limits the use of the funds to R&R expenses only.

At least once a year, no later than November 30, the Primary Operator will develop a budget for the upcoming fiscal year, January 1 through December 31, for both O&M and R&R. This will include an update of actual expenses and projections and assumptions used in this Plan, as described in *Section VIII, Financial Information, Subsequent Operating Year Revisions*. Additionally, Tables A-I should be updated.

Operations and Maintenance Guidelines

The Primary Operator will establish an account to fund the Facility O&M so that the O&M schedule can be completed and the Utility operations can be sustained into the future (this is anticipated to be an active non-interest bearing account). *Section VIII: Financial Information* provides *Table B: Annual O&M Schedule* as a guide to plan for annual maintenance activities and *Table C: 40 Year O&M Cashflow* as a guide to estimated yearly O&M required contributions.

Renewal and Replacement Guidelines

The Primary Operator shall establish an interest bearing escrow managed renewal and replacement account acceptable to the Denali Commission, which will ensure capitalization of an amount sufficient to maintain the R&R Schedule (see R&R Fund Account – Sample Documents for “How to Establish a R&R Account”). *Section VIII: Financial Information* provides *Table D: 40 Year R&R Schedule* as a guide to plan for annual R&R activities and *Table E: 40 Year R&R Cashflow* as a guide to estimated annual R&R required contributions. These costs are based on the R&R cost estimate provided by HMS, Inc. See *Appendix B: O&M and R&R Cost Estimate*.

The Primary Operator will use the estimates in this Plan for year one contributions, and in subsequent years will recalculate contributions based upon actual costs.

ATTACHMENT D **40 YEAR RENEWAL AND REPLACEMENT CASHFLOW**

Year	R & R Fund Balance						Assumed Collectable Kwh/Year	R&R Surcharge \$/Kwh
	Beg. of Year Balance	Annual Deposits	Renewals/ Replacements	Interest Earnings (Net of Fees)	End of Year Balance			
1	\$ -	\$ 8,078	\$ -	\$ -	\$ 8,078		538,560	\$ 0.015
2	\$ 8,078	\$ 8,435	\$ -	\$ 242	\$ 16,756		562,320	\$ 0.015
3	\$ 16,756	\$ 8,910	\$ -	\$ 503	\$ 26,168		594,000	\$ 0.015
4	\$ 26,168	\$ 8,914	\$ -	\$ 785	\$ 35,868		594,297	\$ 0.015
5	\$ 35,868	\$ 26,757	\$ 16,972	\$ 567	\$ 46,219		594,594	\$ 0.045
6	\$ 46,219	\$ 26,770	\$ -	\$ 1,387	\$ 74,376		594,891	\$ 0.045
7	\$ 74,376	\$ 26,784	\$ -	\$ 1,488	\$ 102,647		595,189	\$ 0.045
8	\$ 102,647	\$ 26,797	\$ -	\$ 2,053	\$ 131,497		595,486	\$ 0.045
9	\$ 131,497	\$ 26,810	\$ -	\$ 2,630	\$ 160,937		595,784	\$ 0.045
10	\$ 160,937	\$ 44,706	\$ 142,449	\$ -	\$ 63,194		596,082	\$ 0.075
11	\$ 63,194	\$ 44,729	\$ -	\$ 1,264	\$ 109,186		596,380	\$ 0.075
12	\$ 109,186	\$ 44,751	\$ -	\$ 2,184	\$ 156,121		596,678	\$ 0.075
13	\$ 156,121	\$ 44,773	\$ -	\$ 3,122	\$ 204,016		596,977	\$ 0.075
14	\$ 204,016	\$ 44,796	\$ -	\$ 4,080	\$ 252,892		597,275	\$ 0.075
15	\$ 252,892	\$ 62,745	\$ 38,332	\$ 4,291	\$ 281,597		597,574	\$ 0.105
16	\$ 281,597	\$ 62,777	\$ -	\$ 5,632	\$ 350,005		597,873	\$ 0.105
17	\$ 350,005	\$ 62,808	\$ -	\$ 7,000	\$ 419,813		598,172	\$ 0.105
18	\$ 419,813	\$ 62,839	\$ -	\$ 8,396	\$ 491,049		598,471	\$ 0.105
19	\$ 491,049	\$ 62,871	\$ -	\$ 9,821	\$ 563,741		598,770	\$ 0.105
20	\$ 563,741	\$ 62,902	\$ 466,654	\$ 1,942	\$ 161,931		599,069	\$ 0.105
21	\$ 161,931	\$ 26,972	\$ -	\$ 3,239	\$ 192,141		599,369	\$ 0.045
22	\$ 192,141	\$ 25,786	\$ -	\$ 3,843	\$ 221,769		599,668	\$ 0.043
23	\$ 221,769	\$ 25,799	\$ -	\$ 4,435	\$ 252,003		599,968	\$ 0.043
24	\$ 252,003	\$ 25,812	\$ -	\$ 5,040	\$ 282,855		600,268	\$ 0.043
25	\$ 282,855	\$ 25,824	\$ 22,859	\$ 5,200	\$ 291,020		600,568	\$ 0.043
26	\$ 291,020	\$ 43,863	\$ -	\$ 5,820	\$ 340,704		600,869	\$ 0.073
27	\$ 340,704	\$ 43,885	\$ -	\$ 6,814	\$ 391,403		601,169	\$ 0.073
28	\$ 391,403	\$ 43,907	\$ -	\$ 7,828	\$ 443,139		601,470	\$ 0.073
29	\$ 443,139	\$ 43,929	\$ -	\$ 8,863	\$ 495,931		601,770	\$ 0.073
30	\$ 495,931	\$ 43,951	\$ 189,436	\$ 6,130	\$ 356,576		602,071	\$ 0.073
31	\$ 356,576	\$ 62,044	\$ -	\$ 7,132	\$ 425,752		602,372	\$ 0.103
32	\$ 425,752	\$ 62,075	\$ -	\$ 8,515	\$ 496,342		602,674	\$ 0.103
33	\$ 496,342	\$ 62,106	\$ -	\$ 9,927	\$ 568,375		602,975	\$ 0.103
34	\$ 568,375	\$ 62,137	\$ -	\$ 11,368	\$ 641,880		603,276	\$ 0.103
35	\$ 641,880	\$ 62,169	\$ 54,238	\$ 11,753	\$ 661,564		603,578	\$ 0.103
36	\$ 661,564	\$ 80,316	\$ -	\$ 13,231	\$ 755,112		603,880	\$ 0.133
37	\$ 755,112	\$ 80,356	\$ -	\$ 15,102	\$ 850,570		604,182	\$ 0.133
38	\$ 850,570	\$ 80,396	\$ -	\$ 17,011	\$ 947,978		604,484	\$ 0.133
39	\$ 947,978	\$ 80,437	\$ -	\$ 18,960	\$ 1,047,374		604,786	\$ 0.133
40	\$ 1,047,374	\$ 80,477	\$ 1,052,349	\$ -	\$ 75,502		605,088	\$ 0.133

Inflation Rate : 1.50%
Reinvestment Rate : 5.00%

Invested Escrow Fees: 1.00%

Initial Kwh Collectable : 838,560
Initial Cost per Kwh : \$ 0.015
5 year step cost increase : \$ 0.030

INSURANCE QUOTE
